

DOCUMENT FILE

NOTE

SEE 865d.01/119 FOR 41733FROM Italy (Kirk) DATED June 10, 1936
TO NAME 1-1137 ...

REGARDING: Temporary regulations issued by the Government on the
administration of funds for the Government General and
the district of Addis Ababa and on the collecting and
accounting of revenue.

ge

865D.51/1

865d.51/2

DOCUMENT FILE

NOTE

SEE 865d.01/132 FOR despatch #1743

FROM Italy (Kirk) DATED June 17, 1936
TO NAME 1-1127 ..

REGARDING: Law on the organization and administration of Ethiopia
Financial administration of Italian East Africa.

865d.51/2

2

DOCUMENT FILE

NOTE

SEE 865d.01/142 FOR Despatch #1756

FROM Italy (Kirk) DATED June 26, 1936
TO NAME 1-1127 ...

REGARDING: Financial administration- Italian East Africa. A provisional ordinance was issued on June 11th prescribing the declaration by all Italians in Ethiopia, of foreign securities held by them and prohibiting the exportation of foreign exchange.

FINANCIAL ADMINISTRATION

A provisional ordinance was issued on June 11th prescribing the declaration by all Italian subjects in Ethiopia
of

of foreign securities held by them and prohibiting the exportation of foreign exchange. (Apparently some protest by foreign residents had been made for the text as issued exempted foreigners from this obligation, contrary to first reports). It is reported that on June 12th the Finance Guards frustrated a contraband shipment of foreign exchange by a foreign merchant, formerly supplying the Negus's army.

By Decree-Law No. 1131 of June 8, 1936, published in the Official Gazette of June 27th, the rigid control of the transfer of lire or foreign exchange abroad, which was established for Italy by decree of November 16, 1935 (Embassy's despatch No. 1435 of November 29, 1935), has been extended to Italian East Africa. Deputies of the Undersecretariat of State for Trade and Foreign Exchange will be attached to the Viceregal Government and the provincial governments of East Africa to carry out the provisions of the decree-law. (See Embassy's despatch No. 1757 of June 26th).

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THE AMERICAN EMBASSY
Rome, Italy.

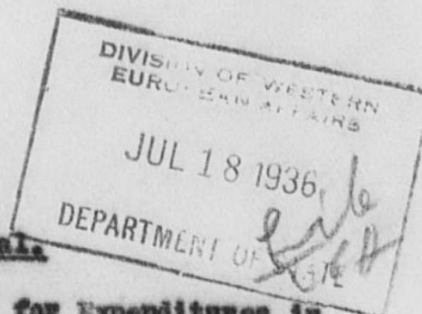
G-2 Report.



ITALY (COMBAT - ARMY)

Subject: Military Finance - General.

Budgetary Appropriations for Expenditures in East Africa.



For previous report on this subject attention is invited to ITALY No. 15288-6400, May 20, 1936.

By Royal Decree No. 1180, June 8, 1936, published in the "Official Gazette" No. 148, June 27, 1936, the following additional appropriations in connection with military expenditures in East Africa have been authorized:

Ministry of Colonies:

Lira:

Item No. 26 - Funds at disposition of the Ministry to provide for new or increased expenditures, etc., 400,000,000

Ministry of Interior:

Item No. 98-a (new item) - Daily help to families of needy soldiers recalled to the colors, 50,000,000

Ministry of War:

Item No. 65-a (new item) - Extraordinary allotment for expenditures connected with the services of the military administration in the colonies, . 600,000,000

Ministry of Marine:

Item No. 79-a (new item) - Extraordinary allotment for expenditures connected with the services of the naval administration in the colonies, 200,000,000

Ministry of Aeronautics:

Item No. 51-a (new item) - Extraordinary allotment for expenditures connected with the services of the air administration in the colonies, 50,000,000

TOTAL: 1,300,000,000

Previous extraordinary appropriations for same purpose: 11,761,036,235

GRAND TOTAL as of June 8, 1936: 13,061,036,235

COMMENT:

Repatriations of troops and workmen in any noticeable number have not yet begun. For the present it appears that the Italians intend to keep a large military force and many workmen in East Africa for the occupation of the conquered territory, the construction of roads, buildings, etc., and to complete organization of the country.

G-2 Report.

While expenditures in war supplies will probably be reduced to a small amount, it is expected that large extraordinary allotments for East Africa will be continued in something like the present figure which has been amounting to about \$100,000,000. per month.

J. G. FELLOW,
Colonel, Cavalry, U.S.A.,
Military Attaché.

DOCUMENT FILE

NOTE

86517 51

SEE 865d.01/163 FOR #1823

FROM Italy (Italy) DATED Aug. 5, 1936
TO NAME 1-1127 ..

REGARDING:

Reports question of taxation is being studied by the
Viceregal Government. No taxes being collected at present,
but when system is established, taxes retroactive to
beginning of Italian occupation will be imposed.

865D.51/5

Finance.

It is reported that the question of taxation is now being studied by the Viceregal Government. No taxes are being collected at present, but when a system is established, taxes retroactive to the beginning of the Italian occupation will be imposed.

In July 22nd 50,000 war medals, given by their holders to the Italian government during the "economic seige," were melted together at the Rome Mint in the presence of the Director General of the Treasury, the Director of the Mint, representatives of Veterans' Associations, and high Fascist officials. The ingots therefrom are to be coined into money for Ethiopia.

DOCUMENT FILE

NOTE

SEE 865d.01/262 FOR Despatch #233

FROM Italy (Phillips) DATED Feb. 24, 1937
TO NAME 1-1127 070

REGARDING: Financial affairs- Italian East Africa. Approval at meeting of Council of Ministers of Royal Decree to create a consultative commission on credit and insurance.

fp

865D.51/6

GML 6

Finance.

In addition to the consultative councils for Italian East Africa established on September 25, 1936 (Embassy's despatch No. 18 of September 30, 1936), the Council of Ministers at its meeting on February 10th approved a Royal Decree to create a consultative commission on credit and insurance.

The press reports that at the meeting of the Ministerial Committee for the Protection of Savings and Credit Operations on February 16th the principle was affirmed that credit transactions in Italian East Africa should be handled by the Bank of Italy and those other banks so authorized. The Italian East African branches of the Bank of Italy were declared competent to handle not only the ordinary credit and banking operations now carried on by them, but also average and long-term loans for agricultural, industrial, and mining developments, average-term loans for agricultural improvement (delegated by the Istituto Mobiliare Italiano and the Consortium for Loans on Industrial Property); and long-term building, agricultural, and land-improvement loans, delegated by the Land Credit Institute for East Africa, the organization of which was approved..

- 9 -

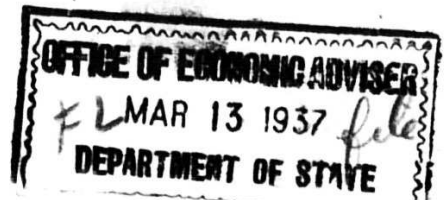
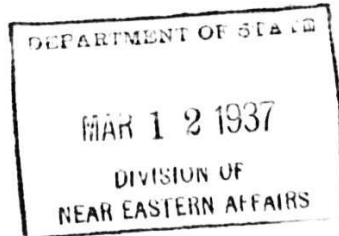
approved. The Committee decided, however, not to permit the creation of new branch banks until June 30, 1938.

5
RECEIVED
DEPARTMENT OF STATE

FREDERICK STARR

400 SEVENTH AVENUE
200 W. 34th Street
NEW YORK
1937 MAR 11 AM 9 26

DIVISION OF
COMMUNICATIONS
AND RECORDS



March 10, 1937

March 24 1937

15851
Mr. Cordell Hull
Secretary of State
Washington, D.C.

Dear Sir:

I am inquiring whether the Department of State would interpose any obstacle to the public sale in this country of an issue of bonds of the Colony of Ethiopia.

Very truly yours,

Frederick Starr
FREDERICK STARR

FS:FJ

FILED
MAR 25 1937

864.51/65

865D.51/7

F.P

3/23-4:20
2/24-10:05
3/24-11:30

March 24 1937-

In reply refer to
EA 884.51/65

Mr. Frederick Starr,
200 West 34th Street,
New York, New York.

Sir:

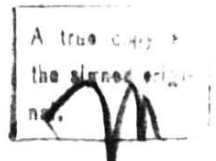
The receipt is acknowledged of your letter of March 10 inquiring whether the Department of State would interpose any obstacle to the public sale in this country of an issue of bonds of the "Colony of Ethiopia".

It is not the practice of the Department to undertake to answer hypothetical questions as to the policy it might adopt in assumed circumstances.

Very truly yours,

For the Secretary of State:

Herbert Feis,
Economic Adviser.



8650.51/7

EP

MAR 26 1937

EA:FL:DJW

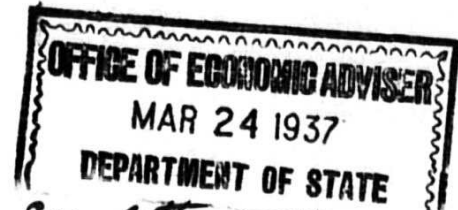
3-22

NE [signature]

3/24/37 [signature]

FREDERICK STARR

450 SEVENTH AVENUE
200 W. 34th Street
NEW YORK



See letter of 3/24/37

March 22, 1937

File



Mr. Cordell Hull
Secretary of State
Washington, D.C.

Dear Sir:

On March 10, 1937 I addressed you a letter in which I made inquiry as to how the Department of State would look upon the public sale in this country of an issue of bonds of Ethiopia and also how it would regard an issue of bonds of the Colony of Lybia.

I have not yet been favored with an answer to this query and I would like to hear from you on this question at your earliest convenience.

Very truly yours,

Frederick Starr

FREDERICK STARR

FS:FJ

MAR 26 1936

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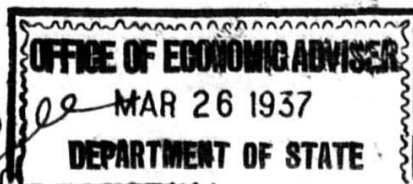
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FREDERICK STARR

~~450 SEVENTH AVENUE~~
200 W. 34th Street
NEW YORK

RECEIVED
DEPARTMENT OF STATE
1937 MAR 26 PM 1 35



DIVISION OF
COMMUNICATIONS
AND RECORDS

March 25, 1937

The Secretary of State
Washington, D.C.

Re:EA 884.51/65

Att. Mr. Herbert Feis, Economic Adviser

Dear Sir:

I am in receipt of your letter of March 24, 1937. I can well understand that the Department of State is not in a position to say what its line of conduct might be in a set of assumed circumstances and therefore my query as to whether the Department of State would interpose any obstacle to the public sale in this country of an issue of bonds of the Colony of Ethiopia is one that it may not care to answer.

May I, however, inquire whether the Department of State has adopted any policy with reference to the sale in this country of issues of bonds based upon the economic resources of political entities which are not themselves in default to the United States although the Mother country of such political units may be.

Very truly yours,

Frederick Starr
FREDERICK STARR

FS:FJ

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APR 5 1937

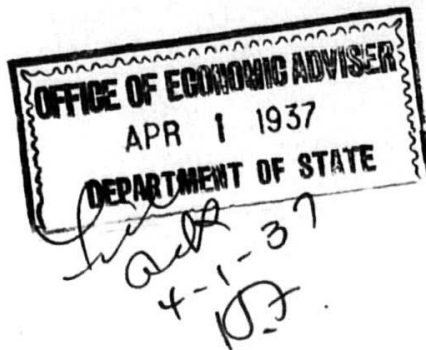
FP

FREDERICK STARR

~~220 SEVENTH AVENUE~~
200 W. 34th Street
NEW YORK



April 3 1937



March 31, 1937

The Secretary of State
Washington, D. C.

Att. Mr. Herbert Feis, Economic Adviser

Dear Sir:

On March 25, 1937 I wrote you a letter to which I have not as yet a reply. In case the letter has gone astray I take the liberty of enclosing a copy and will ask you to be kind enough to give it your consideration.

Very truly yours,

Frederick Starr

FREDERICK STARR

FS:FJ
Enc.

865D.51/10

FP

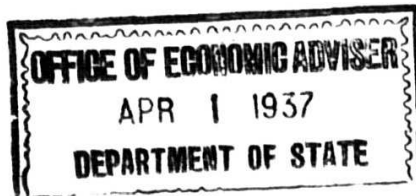
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APR 5 1937

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FREDERICK STARR

~~450 SEVENTH AVENUE~~
200 W. 34th Street
NEW YORK

C
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Y

March 25, 1937

The Secretary of State
Washington, D. C.

Re:EA 884.51/65

Att. Mr. Herbert Feis, Economic Adviser

Dear Sir:

I am in receipt of your letter of March 24, 1937. I can well understand that the Department of State is not in a position to say what its line of conduct might be in a set of assumed circumstances and therefore my query as to whether the Department of State would interpose any obstacle to the public sale in this country of an issue of bonds of the Colony of Ethiopia is one that it may not care to answer.

May I, however, inquire whether the Department of State has adopted any policy with reference to the sale in this country of issues of bonds based upon the economic resources of political entities which are not themselves in default to the United States although the Mother country of such political units may be.

Very truly yours,

FS:FJ

FREDERICK STARR

4/2-3140
4/3-9135

In reply refer to
EA 884.51/

April 8 1937

Mr. Frederick Starr,
200 West 34th Street,
New York, New York.

Sir:

I have your letters of March 25 and March 31, 1937,
with reference to the sale of certain bonds in this country.

The only instance of the kind about which you in-
quire which has presented itself is in connection with
certain discussions in Congress on the question of the
applicability of the Johnson Act to Canadian financing.
For your information, I am enclosing a copy of the De-
partment of State's Press Releases of May 5, 1934, in
which is incorporated the text of an opinion of the
Attorney General with regard to financial transactions
with defaulting governments.

Very truly yours,

For the Secretary of State:

Enclosure:
Press Releases,
May 5, 1934.

Herbert Feis,
Economic Adviser.

EA:HF:LWW 3-1

CR ✓
APR 1 1937 PM

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NOTE

SEE 865.50/205 FOR Tel. #449.6pm

FROM Italy (Reed) DATED October 20, 1937.
TO NAME 1-1137 GPO

REGARDING: Expenditure and development in Ethiopia.

Italian budget for 1937-38 allotted for the administration
of East Africa.

DOCUMENT FILE

NOTE

SEE 865d.52/16 FOR Report #74

FROM Naples (Withey) DATED Oct. 20, 1937
TO NAME 1-1127 GPO

REGARDING: Farm loan financing in Libya.

DOCUMENT FILE

NOTE

SEE 865d.00/22 FOR despatch #99

FROM Aden (Chiperfield) DATED Nov.6,1937.

TO NAME 1-1127 ...

REGARDING:

Review of the financial situations of Ethiopia.
Italian Government cannot or will not pay its
debt to the Franco-Italian Society.

DOCUMENT FILE

NOTE

SEE 865d.00/21 FOR #628

FROM Italy (Phillips) DATED Nov. 3, 1937
TO NAME 1-1127 GPO

(Enclosing report of October 8, 1937 from Mr. Jay Walker, Cairo.)

REGARDING: **Finances -- Libya.**

Comments upon lack of official data relative to --.
Substance of the estimated budget for fiscal year ending
June 30, 1937 published by the "Bollettino Ufficiale del
Governo della Libia" .

Finances.

Complete official data relative to colonial finances were not available in the colony. Statistics showing the total governmental expenditures since the Italian occupation are not public information, but several prominent banking officials estimated the approximate figure at twenty-five billion lire. Due account must be taken for the several devalorizations of the lire since the World War.

Statistics showing the actual receipts and expenditures of the Colonial Government for any stated period are also lacking. On June 30, 1936, the "Bollettino Ufficiale del Governo della Libia" carried for the first time an outline of the estimated budget for the fiscal year ending June 30, 1937. It was proposed to balance the annual budget of 427,124,000.00 lire by contributions from the Italian Ministry of Colonies amounting to 294,750,000.00 lire. Observers agreed that the estimated budget

budget would be changed considerably by supplemental appropriations for expenditures, and that revenue from customs receipts would be far below the estimated figure inasmuch as importation of foreign goods is practically prohibited. This situation may be easily understood when it is remembered that expenditures on the occasion of Premier Mussolini's visit last March were alone reported to have reached thirty-five million lire. The costs in connection with maintaining three additional divisions of troops are believed not to have been provided for in the original budget estimates.

Some of the bankers in Tripoli expressed the private opinion that the current fiscal year will end with the Colonial Office at Rome contributing about ninety per cent. of the budget funds.

For a number of years, taxes in Libya were much lower than those in Italy. This inducement was offered to encourage colonial development. However, during 1936, this policy was abandoned and tremendous tax increases -- often six times the original amount -- were placed on business firms, as well as on certain classes of property. The new and increased taxes were believed to be the natural outcome of greater governmental expenditures which colonial residents would have to share.

Expenditures for the maintenance of the armed forces held in Libya, and construction of various military, naval, and air projects are estimated to account for at least eighty-five per cent. of the country's budget.

Nearly all the privately constructed buildings in Libya have been financed by Government funds loaned through the "Cassa di Risparmio", a Government bank. Certain private colonial development concessions were originally financed by Government loans but later had to be taken over entirely by the Government.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

4049

RECEIVED
FEB 18 1938
DEPARTMENT OF STATE

[Handwritten marks and signatures]

1938 FEB 8 PM 1 50 AMERICAN EMBASSY
ROME, January 28, 1938.

No. 779

DIVISION OF
COMMUNICATIONS
AND RECORDS

Subject: **Developments in Italian East Africa**

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
MAR 14 1938
DEPARTMENT OF STATE

DIVISION OF
EUROPEAN AFFAIRS
MAR 11 1938
DEPARTMENT OF STATE

desp only
Copy to Commerce (without enclosure)
Consulate Aden
with enclosure

A.M/C
RECORDING DESK
[Handwritten initials]

FEB 24 1938

DEPARTMENT OF STATE
MAR 1 1938
MISG File
DIVISION OF
INTERNATIONAL AFFAIRS

RECEIVED
MAR 11 1938

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to the Embassy's despatch
No. 446 of June 27, 1937 concerning the public
works program for the development of Ethiopia, I
have the honor to inform the Department that the
Royal Decree Law of November 15, 1937, No. 2299,
has been published in the OFFICIAL GAZETTE of
January 25, 1938, regulating the contribution by
the State to the budget of Italian East Africa
and the appropriation of 12 billion lire for a
six-year

FILED
MAR 15 1938

six-year public works program in Ethiopia.

The Decree Law provides that for a period of six years, beginning with the fiscal year 1937-1938, one billion lire will be contributed by the State in order to balance the budget for Italian East Africa. The amount of 765,650,000 lire allotted in the budget estimates for the current year is increased to one billion lire. Any increases in revenues derived from the Colonies may be used for new or increased expenses. The Decree Law likewise provides for the extraordinary appropriation of 12 billion lire for the six-year public works program previously approved and authorizes the Ministry of Italian Africa to determine the allocation of these funds. The first quota for 1936-1937 is to be debited against the allotments for extraordinary needs made in the preliminary estimates for the year.

Although the publication of this Decree would appear to reconfirm the authorization for these expenditures, it is nevertheless understood that only the most urgent public works will be carried out for the present. (See Embassy's telegram No. ^{865.50/206} 466 of *even* November 4, 1937.) In this connection it may be noted that the Minister of Public Works has recently visited Ethiopia to examine the situation and determine what enterprises shall be continued or suspended. Upon embarking for his return to Italy on January 27, he expressed his satisfaction on the progress of road construction in East Africa, stating that the two most important roads, Asmara-Tacazzi Gondar and

Asmara

765 d. 154

Asmara-Dessie Addis Abeba, will be completed on June 30th. Of the project of 3400 kilometers of roads to be constructed, 2800 kilometers will have been completed on June 30th. Of these 1600 will be surfaced. According to the Minister's declaration, there are at present 52,000 Italian laborers engaged in the public works at present in Ethiopia, which he stated were adequate for the present needs of colonial development.

In connection with the production potentialities of Ethiopia, it was announced on January 25 that various companies engaged in commercial and industrial activities in the Empire had increased their capitalization as follows: the Company for the Production of Ethiopian Cotton from 14 million to 20 million lire; the Company for the Production of Vegetable Fibers from 1 to 20 million lire; and the Italian Company for the Production of Oil-Seeds and Fruits from 500,000 to 10 million lire. The Bank of Italy has also announced that during the first nine months of 1937, 416 kilograms of gold were shipped from the mines of East Africa. It is stated that the production has been increasing steadily from 5.9 kilograms in January to a maximum of 88 kilograms in August. The October output was 81 kilograms. It is further expected that the monthly average of approximately 50 kilograms will be shortly augmented. There is enclosed a translation of an article recently published in the GIORNALE D'ITALIA referring to the economic

*Excess in
Sector to
Commence*

economic development of Ethiopia.

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2/
865d.248
The press likewise reports that three black shirt battalions sailed on January 24 for East Africa and five additional battalions will sail in the near future. It is estimated that these shipments will amount to about 5,000 additional men. It is generally believed that these are reinforcements for the purpose of quelling disturbances in the Goggiani area, concerning which there have been rumors for some time. In this connection there is also enclosed a report of the Military Attaché of the Embassy concerning air operations in East Africa. *examine*

Respectfully yours,

William Phillips
William Phillips

Enclosures:

1. Translation of article in GIORNALE D'ITALIA.
2. Report of Military Attaché of the Embassy concerning Air Operations in East Africa.

SR:jp

801

ITALY (ECONOMIC)

Subject : Economic - General.Economic Conditions in Italian East Africa.

The following article appeared in the Giornale d'Italia of January 8, 1938 in answer to the article in the London Times submitted in Report ITALY No. 16,397, January 7th, 1938.

" Answer to the "Times" - The Production, Consumption and Commerce of Ethiopia set forth in Figures Undeniable. "

" The recent article of the Times shows the bad faith of the British press in dealing with the affairs of Italian Ethiopia. This paper writes that formerly wheat was sufficient for the needs of Ethiopia while at the present time it must be imported, and overlooks the fact that the population has increased by some hundreds of thousands of whites who are strong consumers of wheat. At any rate, it may be stated that, estimating the production of cereals according to this year's harvest, by 1938 the production will fully cover the needs of the Empire because all sowing grounds will then be utilized; last year, sowing could not be carried out in some territories because of the logical disorganization caused by the war.

The Times also writes that in 1934 the coffee, wax and skins exportation totalled almost a million pounds sterling, today it is nil. This is another lie, because over two-thirds of the traffic is now carried over the Massaua route where an evaluation of our export trade is not exactly within the means of the British correspondent to obtain. Formerly 70 % of the trade went through Jibuti, 12 % by way of the Sudan, 8 % through Eritrea, 5 % through British Somaliland, 4 % through Italian Somaliland and 1 % through Kenya Colony.

The records of the Ethiopian customs do not show a million pounds but 46,000,000 francs by way of Jibuti, i.e. 70 % of the total exportation. Today customs records show that during the first six months of 1937, over 3,000,000 kilos of skins were transported from Addis Abeba to Jibuti, nearly 2,000,000 kilos via Harar, 80,000 kilos of wax from Addis Abeba, and about the same quantity of coffee sent mostly by way of Asmara, because exported principally to Italy. The daily average in caravans coming from the interior is 40 per day, carrying 30,000 kilos of cereals, 5,000 kilos of vegetables, 3,000 kilos of skins, 1,000 kilos of coffee, 800 kilos of wax; these figures are for Addis Abeba only.

On ascertained data, basing same on the most favorable average month (June), the following figures show our exportations: to Italy, month of June, Lire 3,321,756, to other countries, Lire 3,130,662. Of the merchandise exported to foreign countries to the month of June Lire 1,500,000 went to England and Aden. Since coffee, skins and wax make up nine-tenths of the export trade, as

G-2 Report

4000

the Times itself asserts, the falseness of its deductions is clear.

By totalling the figures of all months it is seen how Ethiopian exportations have remained practically the same as before the war notwithstanding the increased internal consumption and the demands of new industries and new local trade. At Harar, Diredda, Gimma, Dessie and Addis Abeba there are large depots of skins to undergo new manufacturing processes. Another statement of the Times is that the lira is not circulating in the territories of the Empire, but only the thaler. The thaler has remained an article of merchandise, though not money; only in some savage regions of the interior is the thaler still used. In all centers the lira is the legal tender and enjoys the confidence of the natives who turn in their thalers to the bank and have deposit accounts for the first time. The Megglio post office has over a hundred accounts opened. As regards the statement that Italian workmen are not very productive, it is hardly necessary to answer, because the thousands of kilometers of roads, tens of thousands of building structures, the ports and airports are testimonials of the excellent work of the Italian worker, known besides to the whole world for his activity and capacity for work. The natives are employed on road work for justice's sake and economic reasons, for native labor naturally costs less, and also to give work to thousands of liberated slaves.

This fact will surprise the Geneva slave-mongers. It may be added that villages for former slaves and their families are being put up and in the Gimma some are already completed.

Via Asmara and via Jibuti.

The last statement of the English journal is that we are making use of the Asmara road instead of the Jibuti railway only to gratify self-pride. We will point out the true causes: the average price for transportation by rail is one lire per kilo, plus the rights of transit of 2 % on cost value, and debarkation on flat boats instead of on wharfs. By way of Massaua, instead, the cost is 1.40 lire everything included, even the discharge of merchandise from the cargo ships up to delivery at Addis Abeba. Reasonable prices and rapid delivery, free transit not subject to foreign regulations, no fastidious custom checks, and above all, no jams resulting from inadequate port and railway facilities. Last year 40,000 tons of merchandise were held up at Jibuti which deteriorated and caused the demands of the capital to remain unsatisfied.

By the Massaua route less manipulations of merchandise are necessary and goods arrived in perfect condition while previously at least a third arrived unserviceable or deteriorated. The economy by the Massaua route is therefore immense - an economy to which one should add the economy of foreign currency. Withal, the railway with the highest rates in the world has still time enough to make its prices more reasonable and give up its arrogant methods of the skyster which can serve it to no good advantage. "

COMMENT :

While the article in the London Times was unduly pessimistic and overdrawn it is believed that the present article is somewhat optimistic and equally overdrawn. Few authentic reliable figures on this subject are available; however it is known that the exports from Ethiopia through Jibuti have diminished considerably as shown by the following figures:

Year	Tons of merchandise exported through Jibuti
1934	27,475
1935	28,497
1936	14,836

According to Corrado Zoli in his book "Etiopia d'Oggi" 1936, before the Italian occupation of Ethiopia the foreign trade of that country was conducted as follows:

through Jibuti	80
" Eritrea	15.3
" the Sudan	2.9
" British Somaliland	1.2
" Italian Somaliland	0.6

Based on these figures, with 35,000 tons as the average exportations from Ethiopia prior to 1936 it is seen that a total of 33,000 tons of exports should move through Jibuti and Eritrea if the export trade of Ethiopia at present equals that of before the Italian occupation and if 14,000 tons move through Jibuti, 19,000 tons should move through Eritrea. Neither the figures specified in the above article nor any other figures available to date indicate that the above amounts of export tonnage from Ethiopia moved through Jibuti or Eritrea in 1936 or 1937.

G. H. PAINE,
Colonel, F.A., U.S.A.,
Military Attaché.

Memorandum No. 2 to despatch No. 779 of January 28, 1938,
from the Embassy in Rome.

G-2 Report

9900

ITALY (Aviation - Military)

Subject: Air Combat Operations.

Air Operations in East Africa.

In Italy No. 15,971-9900, dated April 27, 1937, this office reported on the air operations in East Africa during the rainy season of 1936 (June - September inclusive) and the last quarter of 1936.

There is given below the translation of a short article published in the semi-official paper "Le Forze Armate" of Jan. 25, 1938, and describing the air operations in East Africa during the rainy season (June - September inclusive) of 1937.

" During the rainy season of 1937 the Air Forces of East Africa have carried out in the territory of the Empire an invaluable activity in connecting up the different inhabited centers and in supplying the military garrisons located at strategical points.

The Air Forces also carried out offensive operations against a number of bands of rebels who attacked some of the garrisons. The episodes of Lalibela, Bilbala Gorgis, Debra Brehan and Debra Gina are worth of mention.

Lalibela, a territory belonging to a son of Ras Kassa, a garrison of 400 men was completely surrounded in the first week of September. A reinforcement of 200 men was sent out from Socota but this column was also surrounded at Bilbala Gorgis. Only aviation was in a position of solving the situation by supplying the two groups surrounded and by bombing and machinegunning the rebels.

Aircraft took off daily from the field at Dire Dawa, 350 km from Lalibela. They supplied the Italian troops with 130 tons of foodstuff, 9 tons of ammunition, and brought over to them 88,000 silver thalers. The enemy was heavily bombed and machinegunned, particularly when they tried to attack the two garrisons. 113 planes were employed continually from the beginning of September to the middle of October.

During the rainy season, aviation was also entrusted with the task of protecting the railroad line from Gibuti to Addis Abeba. Numerous missions against the men headed by Piere Mariam in the zone between Addis Abeba and Moggio were carried out, particularly against the positions established on Mount Jerer, and Mount Luquala Debocondio, where 6834 bombs of various size were dropped. The bombardment lasted about 15 days and was most effective. The troops of the Mariotti column completed the work, so that the railroad traffic could be carried out regularly in a zone of particular importance due to its vicinity to the capital of the Empire.

Comment: This notice confirms rumors that have been circulating for some time that there is still considerable resistance in Ethiopia and that the territory is still far from being settled.

G. H. Faine
Col. F.A. USA
Military Attaché



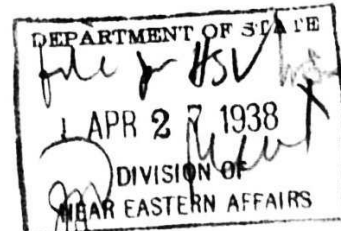
THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
DEPARTMENT OF STATE

1938 APR 25 PM 1 42 AMERICAN EMBASSY
ROME, April 12, 1938.

No. 861

DIVISION OF
COMMUNICATIONS
AND RECORDS

Subject: 1938-1939 Budget for Italian Africa.



865D.01/16

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FOR DISTRIBUTION - C.B.M.

To the Field
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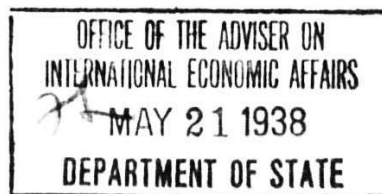
Commerce
MID

Palace G.B.C.

MAY 9 1938

The Honorable

The Secretary of State,
Washington.



Sir:

MAY 23 1938

FILED

With reference to the Embassy's despatch No. 383 of May 28, 1937, transmitting a statement of the budget for Italian East Africa for the period July 1, 1937 to June 30, 1938, I have the honor to inform the Department that the budget for the Ministry of Italian Africa for the new fiscal year, which was submitted to the Chamber of Deputies on March 19, 1938, and to the Senate on April 1, 1938, provides for the following expenditures for the Ministry during the period July 1, 1938 to

June

June 30, 1939:

<u>Ordinary Expenditures</u>	<u>Lire</u>
General Expenditures	9,107,500
Debt Charges	1,790,000
Special Services	1,461,000
Colonial Police	6,700,000
	<u>19,058,500</u>

<u>Extraordinary Expenditures</u>	
Miscellaneous	23,111,907
Colonial Police	30,318,000
Funds at Disposal of Ministry	20,760,000
Contribution to the Colonial Budgets*	1,291,800,000
Extraordinary Allocation to the Budget of Italian East Africa**	400,000,000
	<u>1,765,989,907</u>

Movement of Capital

Repayment of Sums advanced	47,535
Expenditures covered by Revenues	<u>10,350,000</u>
	<u>10,397,535</u>

TOTAL*** 1,795,445,942

(*) One billion lire for East Africa and 291,800,000 for Libya.

(**) Allotment for public works construction.

(***) At current rate of exchange approximates \$9,481,000.

- 1/ There are also transmitted herewith detailed summaries of the budgets of Libya and East Africa. The largest single item in both budgets represents military expenditures: 199,183,700 lire in the case of Libya or approximately 43% of its budget; 632,967,000 lire for East Africa or approximately 40% of its budget.

It will be recalled that at its meeting of June 21, 1937, the Council of Ministers approved an annual contribution of one billion lire to balance the East African budget

700
865 C. 51

budget, which appears in the estimates above. In addition, a special appropriation of 12 billion lire for a six year public works program as well as an allotment of a supplementary 3 billion lire for road construction to be spread over a period of three years were voted (see Embassy's despatches No. 446 of June 24, 1937, No. 610, October 22, 1937 and No. 779 of January 28, 1938). An allotment of only 400,000,000 lire has, however, been made in the Ministry's budget to provide for this special program of public works construction, but it is stated that the amount for road building will be assigned during the year as actual expenditures are incurred. Similarly in the budget for East Africa both these items are entered "per memoria", which will permit supplementary allotments to be made during the year.

The following table shows the state of construction of six principal roads:

	<u>Length of roads</u>	<u>Open to traffic</u>
Asmara-Addis Ababa	1,080 km.	901 km.
Addis Ababa- Gimma	353 "	44 "
Addis Ababa- Lekemti	340 "	99 "
Dessie- Assab	496 "	32 "
Asmara-Gondar	580 "	432 "
Asmara-Sab-Derat	388 "	180 "
	3,237 "	1,688 "

In addition to road construction, the public works program calls for the modernization of the port of Massaua and the construction of a port at Assab at a cost of approximately 80 million lire. The most important port works are, however, being contemplated for Mogadiscio, where the construction of a port large enough to receive liners and cargo vessels of considerable tonnage is being planned to take care of future commercial operations on a large

large scale. These three ports will relieve the congestion at Jibuti and supply not only their immediate hinterland but the upland plateau as well.

2/

As of possible interest to the Department in this connection, there are transmitted herewith tables showing the export and import trade with the colonies during the calendar years 1936 and 1937, computed from official statistics. While in 1937 Italy exported goods valued at 2,580,177,000 lire (approximately \$136,233,345.) to the colonies, its imports for the same year equaled only 348,535,000 lire (approximately \$18,392,650.), which, however, represented an increase of 192 million lire as compared with imports in 1936.

In presenting the budgets to the Chamber, the Undersecretary for Italian Africa affirmed that the internal situation was "good from every point of view". The older colonies of Eritrea and Somaliland had fully performed their part in the extension of the Empire, and Harrar, Galla and Sidamo were completely tranquil, although incidents of rebellion and banditry had occurred spasmodically in Amhara, requiring repressive measures.

As to the economic development of the Empire, General Teruzzi declared that the economic life of the Empire can only be regulated by the corporative principles, which are the essence of the Fascist State and that the economic situation is becoming normal, although slowly. With regard to the monetary situation, he stated that the lira is now being accepted willingly by the natives, provided it is in metallic form. He
then

then spoke of the policy of encouraging widespread employment of native labor in order not to reduce wages of Italian workers and said that in certain regions this policy had given rise to marked increases in native wages.

865d. 20
In a similar report to the Senate several days later, the Undersecretary explained that, as in Libya, the command of the armed forces in East Africa was under the direct orders of the Viceroy and that the land forces, now being organized in accordance with the peace-time program approved in 1936, contemplated a permanent garrison of approximately 25,000 Italian troops and 43,000 colonials. For the moment, however, it has been considered advisable to maintain other additional units in the Empire. Together with the Armed Forces, which include units of the Voluntary Mobilized Militia for National Security and the special militia, there have been recently formed the Ordinary Militia to perform in East Africa the same tasks performed in Italy by the Fascist Militia. The Blackshirt labor battalions are under the command of this organization, which, with its volunteer personnel, will assist in the defense of the territory, maintenance of public order and the moral and military preparation of Italian residents.

865d. 5048
In referring to the question of former slaves in Ethiopia, the Undersecretary stated that in certain districts they were now employed in road and agricultural projects, while in other regions the Government had permitted that those who should desire to do so should continue to serve their former masters on condition they received payment for their work. Where neither of these solutions had been found practical, villages composed entirely

entirely of former slaves had been founded. There were five of these in Eritrea inhabited by slaves from the northern regions of the Empire; and, in the south, in addition to the villages already created by the Consulate Mission, a large community of more than 600 residents had been established in the territory of the Soddu residency.

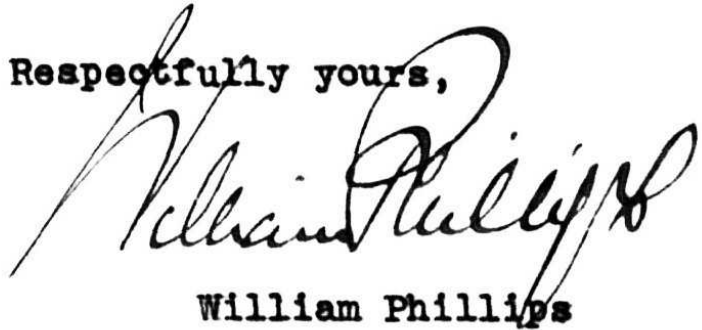
865 d. 404
With reference to the religious question, Teruzzi explained that Italy's policy of protecting the interests of ethnic groups had been of special importance as regards the Moslem population, but also that the autonomy of the Ethiopian Church had been protected. The Coptic Church had from the first received Government support, and it had been decreed that the churches and convents should continue to receive their traditional income, although feudal rights incompatible with the authority of the State had been abolished.

965 d. 404
In connection with reports in the foreign press, notably the NEWS CHRONICLE, of an Italian decision to grant autonomy to the Gojjam and of constant revolts in Jimma, Bako, Kafa and Gurafarda, the Italian press published emphatic denials of these statements on April 8 and declared that the Gojjam would remain under full Italian sovereignty. It was admitted that there had been certain disturbances in this area but it was explained that these were due to the fact that "banditry had been virtually a social system of the district for years" and that the situation was entirely under control.

965 d. 404
As evidence of the support of the Moslem populations for the Italian rule, the Sultan of Jimma, the leader of the Ethiopian Moslems, has recently visited Rome. He
was

was received by the Duce and gave assurances of the loyalty of the Islamic peoples of East Africa. In reply the Duce guaranteed freedom of worship to the Moslems of the Empire.

Respectfully yours,

A large, stylized handwritten signature in dark ink, appearing to read 'William Phillips', is written over the typed name.

William Phillips

Enclosures: ✓

1. Revenues and Expenditures
of Italian East Africa and
Libya.
2. Italian Trade with the
Colonies: Imports and
Exports.

ITALIAN EAST AFRICA

<u>REVENUES</u>	<u>1937-1938</u>	<u>1938-1939</u>
Ordinary Revenues	292,845,000	402,000,000*
State Contribution	765,650,000	1,000,000,000**
Movement of Capital	2,200,000	10,185,000
Special Accounts	<u>65,221,799</u>	<u>178,943,000</u>
	1,125,916,799	1,591,128,542

* Increase in ordinary revenues is primarily due to increased monopoly revenues.

** The State contribution is fixed at one billion lire annually for a period of six years (see Embassy's despatch No. 779, January 28, 1938).

EXPENDITURES

General Expenditures	163,020,000	235,684,000
Civil Services - ordinary	144,998,000	349,128,000
Civil Services - extraordinary	84,760,437	167,444,974
Military Expenditures	564,000,000	632,762,000
Military Expenditures - extraordinary	100,015,000	205,000
Movement of Capital	3,901,562	26,961,025
Special Accounts	<u>65,221,800</u>	<u>178,943,543</u>
	1,125,916,799	1,591,128,542

LIBYA

LIBYA

<u>REVENUES</u>	<u>1937-1938</u>	<u>1938-1939</u>
Ordinary Revenues	138,950,000	160,745,000
State Contribution	291,800,000	291,800,000
Movement of Capital	2,950,000	2,950,000
Special Accounts	<u>5,432,613</u>	<u>6,850,471</u>
	439,132,613	462,345,471

<u>EXPENDITURES</u>		
General and Civil Service	141,779,282	175,930,100
Civil Service - extraordinary	65,663,695	72,563,273
Military Expenditures	186,179,000	187,919,200
Military Expenditures - extraordinary	33,310,000	11,264,500
Movement of Capital	6,768,023	7,817,927
Special Accounts	<u>5,432,613</u>	<u>6,850,471</u>
	439,132,613	462,345,471

ITALIAN TRADE WITH THE COLONIES

(thousands of lire)

<u>EXPORTS</u>	<u>North Africa</u>	<u>East Africa</u>	<u>Aegean Islands</u>	<u>Total</u>	<u>Percent of Foreign Trade</u>
Automobiles and spare parts	37,172	531,263	1,672	570,107	75.5
Cotton textiles	18,088	150,952	3,508	172,548	24.9
Flour	56,667	98,905	15,895	171,467	97.5
Machinery and appliances	17,151	112,892	2,494	132,537	48.4
Rubber and rub- berized goods	6,866	93,360	654	100,880	64.5
Iron and steel manufactured goods	13,957	72,190	4,560	90,707	68.0
All other products	<u>246,289</u>	<u>1,050,767</u>	<u>44,875</u>	<u>1,341,931</u>	<u>16.0</u>
Totals	396,190	2,110,329	73,658	2,580,177	24.7

Comparison of Total Exports

(millions of lire)

	<u>1937</u>	<u>Percent</u>	<u>1936</u>	<u>Percent</u>	<u>Difference</u>
North Africa	396	15.4	333	19.4	63
East Africa	2,110	81.8	1,350	78.6	760
Aegean Islands	<u>74</u>	<u>2.8</u>	<u>34</u>	<u>2.0</u>	<u>40</u>
	2,580	100.0	1,717	100.0	863

IMPORTS

ITALIAN TRADE WITH THE COLONIES

(thousands of lire)

<u>IMPORTS</u>	<u>North Africa</u>	<u>East Africa</u>	<u>Aegean Islands</u>	<u>Total</u>	<u>Percent of Foreign Trade</u>
Raw hides	12,050	167,016	224	179,290	52.0
Wool	47,680	--	29	47,709	8.0
Bananas	--	43,538	--	43,538	100.0
Coffee	3	15,136	--	15,139	7.6
Raw cotton	1,944	6,168	--	8,112	.8
Corn	5,454	--	9	5,463	.4
Other Products	<u>23,688</u>	<u>13,259</u>	<u>12,337</u>	<u>49,284</u>	<u>.5</u>
Totals	90,819	245,117	12,599	348,535	2.5

Comparison of Total Imports

(millions of lire)

	<u>1937</u>	<u>Percent</u>	<u>1936</u>	<u>Percent</u>	<u>Difference</u>
North Africa	91	26.1	51	32.8	40
East Africa	245	70.3	95	60.9	150
Aegean Islands	<u>12</u>	<u>3.6</u>	<u>10</u>	<u>6.3</u>	<u>2</u>
	348	100.0	156	100.0	192

DEPARTMENT OF STATE

DIVISION OF EUROPEAN AFFAIRS

May 31, 1939.

The Undersecretary of State for Italian Africa admitted before the Italian Chamber that there were still small hostile groups in Amhara and Shoa, Ethiopia, which were composed of brigands and rebels. He said they depended for existence on "the foreign assistance and propaganda which filters into Ethiopia despite attentive surveillance". Saying that these bands would be stamped out, the Undersecretary added that meanwhile the situation was steadily improving through both political and military action, the latter being restricted to police operations as there was no longer any reason for major military activities which would be ineffectual and costly. He said there were no disturbances of any kind in Eritrea, Somalia, Harrar and Jimma.

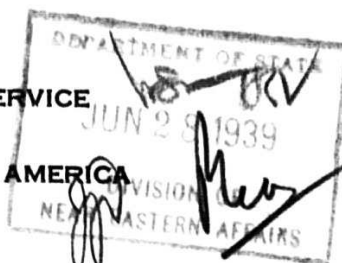
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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA



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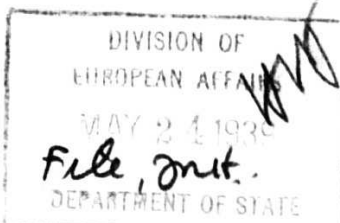
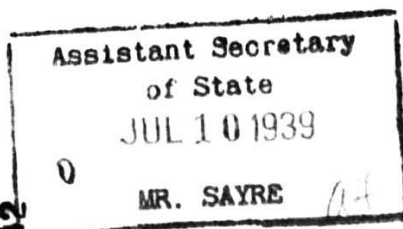
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AMERICAN EMBASSY

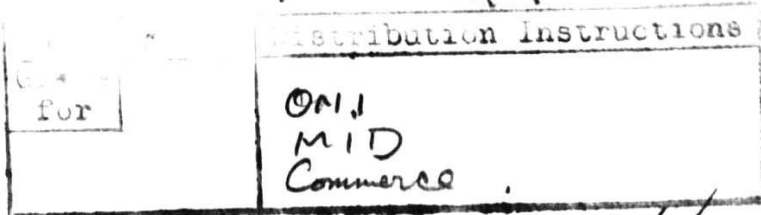
No. 1421

ROME, May 12, 1939.

Subject: Developments in Italian Africa and Budget.



DIVISION OF
COMMUNICATIONS
AND RECORDS



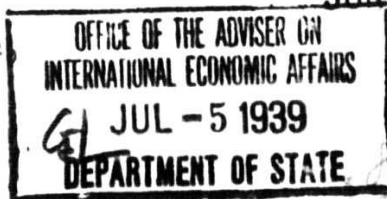
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The Honorable

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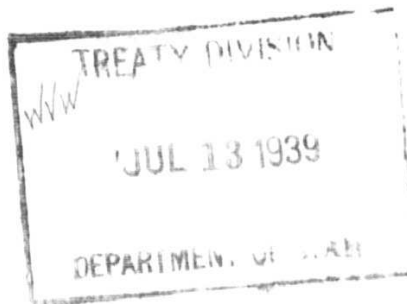
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The Secretary of State
Washington.

Sir:



JUN 2 1939

With reference to the Embassy's despatch No. 861 of April 12, 1938, concerning the budget estimates of the Ministry of Italian Africa for the fiscal year 1938-1939, I have the honor to inform the Department that the 1939-1940 estimates for Italian Africa, which have now been submitted to the Chamber of Fasci and Corporations, provide for the following expenditures of the Ministry during the period ending June 30, 1940: (For purposes of comparison the corresponding figures for the current fiscal year are in each case given first).



Ordinary

865D.51/17

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<u>Ordinary Expenditures</u>	<u>1938-1939 Estimates</u>	<u>1939-1940 Estimates</u>
General Expenditures	9,107,500	11,549,000
Debt Charges	1,790,000	1,790,000
Special Services	1,461,000	1,610,500
Colonial Police	<u>6,700,000</u>	<u>3,900,000</u>
	19,058,500	18,849,500

Extraordinary Expenditures

Miscellaneous	23,111,907	15,109,768
Colonial Police	30,318,000	3,000,000
Funds at disposal of Ministry	20,760,000	20,000,000
Contribution to the Colonial Budgets (°)	1,291,800,000	1,291,800,000
Extraordinary Allocation to the Budgets of Libya and East Africa (°°)	<u>400,000,000</u>	<u>548,100,000</u>
	1,765,989,907	1,878,009,768

Movement of Capital

Repayment of sums advanced	47,535	49,674
Special provisions for Libyan colonization (°°°)	--	51,900,000
Expenditures covered by Revenues	<u>10,350,000</u>	<u>10,350,000</u>
	10,397,535	62,299,674
TOTAL	1,795,445,942	1,959,158,942

(°) One billion lire for East Africa and 291,800,000 for Libya.

(°°) 500 million lire for public works construction in East Africa and 48,100,000 for colonization in Libya.

(°°°) Special fund for Libyan colonization.

In comparison with the current budget estimates amounting to 1,795 million lire (\$94,800,000), the new estimates totaling 1,959 million lire (\$103,444,000) represent an increase of 164 million lire (\$8,644,000).

There are also transmitted herewith detailed summaries of the budgets of Libya and East Africa.. The amount of

291,800,000 lire represents the annual contribution of the Ministry to the Libyan budget, to which has been added this year the amount of 100,000,000 lire for the development of colonization schemes (See Embassy's despatch No. 1357 of March 31, 1939). As in the last year's budget one billion lire are contributed to the East African budget and 500,000,000 lire for public works in the colony. Military expenditures, which again constitute the principal item in both budgets, are increased from 199.2 million lire to 201.3 million lire for Libya and from 632.9 million lire to 638.3 million in the case of East Africa. However, they constitute only 29% and 34% respectively of the two budgets instead of 43% and 40% which are the percentages military expenditures bear to the present total estimates.

In presenting the budget to the Chamber on May 10, the Undersecretary of State for Italian Africa, General Teruzzi, declared that the political and military situation in the Empire could be considered satisfactory. He admitted there were still small hostile groups in Amhara and Shoa, which were composed of brigands and rebels and depended for their existence on "the foreign assistance and propaganda which filters into Ethiopia despite attentive surveillance." Saying that these bands would be stamped out, General Teruzzi added that meanwhile the situation was steadily improving through both political and military action, the latter being restricted to police operations as there was no longer any reason for major military activities which would be ineffectual and costly. In Eritrea, Somalia, Harrar and Jimma there were no disturbances of any kind.

With regard to public works the Undersecretary said that, despite the **seeptics**, an imposing network of communications was already an accomplished fact; "recriminations and criticism on

certain details, even if important," could not destroy the facts which anyone who visited the Empire could see for himself. As to housing, the "tent regime" had disappeared at Gondar and in Jimma and very shortly the "shack regime" would likewise disappear. Houses were being constructed uninterruptedly and the number of families going to join their relatives in Ethiopia was increasing. A company had recently been created for construction and maintenance of aqueducts and would make it possible to begin simultaneously work on 15 aqueducts in the principal centers.

The economic field was the most difficult, Teruzzi added: "but it must be clearly stated once again that it is ridiculous to demand that the Empire's economy be balanced when there are still too many factors working against normalcy." It must be firmly kept in mind that things must be done gradually and that hasty makeshifts would in no way be beneficial.

Among the adverse factors mentioned were the Suez Canal tolls, the high cost of transports, and the large number of native workers still being used in road and other projects.

In connection with transports, Teruzzi described the gradual transfer of transport services to the Italian East Africa Transport Company, a semi-governmental concern, stating that it had been impossible that the company should take over all services immediately without creating a crisis in means of transports and injuring private interests. The Company at present operated 14 passenger lines and for hauling had 9000 vehicles, carrying some 100,000 tons per month.

In the field of industry, Teruzzi said considerable progress was being made. Mining research was proceeding apace, with

"partial

"partial successes upon which no details can yet be given."

The two cement factories at Massaw and Diredawa were now operating and three others were being built at Ambo and Dessie; considerable progress in production of building materials was noted in almost all districts. Various enterprises had been developed for the production of leather. Other small industries had arisen in great numbers, and a number of sawmills had begun to operate in the Galla and Sidamo territory. In this last connection, Teruzzi said that the importation of lumber into the Empire would shortly be prohibited.

Trade was developing satisfactorily. Despite low international prices, the Ethiopian coffee and leather export trade had been kept going. Various measures, however, had been taken to build up production, which had suffered during the war. It had been possible to increase the quantity of coffee imported into Italy.

Altogether, the Undersecretary stated, there were 6000 private industrial and commercial enterprises operating in the Empire, with a total invested capital of around two billion lire.

As of possible interest to the Department in connection with the Undersecretary's remarks concerning colonial trade, there are enclosed tables showing the export and import trade with the colonies during the calendar years 1937 and 1938, computed from official statistics. In 1938 Italy exported goods valued at 2,419,528,000 lire (approximately \$127,751,078) to the colonies, a decrease of 160 million lire as compared with the 1937 figures. Its imports from the colonies totaled 205,699,000 lire (\$10,860,907), or approximately 142 million lire less of goods than in 1937. This decrease was almost entirely

due to a falling off in the shipments of raw hides.

In connection with the coffee shortage in Italy, reported in the Embassy's despatch No. 1424 of May 12, 1939, it is not without significance to note that for the past two years Italy's imports of coffee from the colonies have totaled 23,808 quintals in 1937 and 13,628 quintals in 1938, while imports of this product from abroad amounted to 379,884 quintals in 1937 and 356,332 quintals in 1938. Coffee from the colonies has in the past been shipped abroad, but with the present shortage of foreign exchange it seems doubtful whether this profitable trade will be diverted to the metropolitan area, and in any case would be insufficient to meet Italian needs.

Respectfully yours,

For the Ambassador:

Edward L. Reed
Edward L. Reed,
Counselor of Embassy.

Enclosures: 

Tables (2).

LIBYA

<u>REVENUES</u>	<u>1938-1939</u>	<u>1939-1940</u>
Ordinary Revenues	160,745,000	193,558,000
State Contribution	291,800,000	339,900,000 (°)
Miscellaneous	- -	2,900,000
Movement of Capital	2,950,000	54,750,000 (°°)
Special Accounts	6,850,471	9,007,176
	<hr/>	<hr/>
	462,345,471	600,115,176

<u>EXPENDITURES</u>		
General & Civil Service	175,930,100	194,557,888
Civil Service - extraordinary	72,563,273	135,856,351 (°)
Military Expenditures	187,919,200	183,710,800
Military Expenditures extraordinary	11,264,500	17,624,300
Movement of Capital	7,817,927	59,358,661 (°°)
Special Accounts	6,850,471	9,007,176
	<hr/>	<hr/>
	462,345,471	600,115,176

(°) Includes 48,100,000 lire for colonization.

(°°) Includes 51,900,000 lire special fund for colonization.

The principal increase in the budget estimates is due to the amount of 100,000,000 lire which represents the state contribution to the new colonization activities in Libya (See Embassy's despatch No. 1357 of March 31, 1939).

ITALIAN EAST AFRICA

REVENUES

Ordinary Revenues	402,000,000	523,000,000 (°)
State Contributions	1,000,000,000	1,500,000,000 (°°)
Movement of Capital	10,185,000	7,185,000
Special Accounts	178,943,542	152,906,430
	<hr/>	<hr/>
	1,591,128,542	2,183,091,430

EXPENDITURES

General and Civil Service Expenditures	584,812,000	855,039,000
Civil Services - extraordinary	167,444,974	519,808,746
Military Expenditures	632,762,000	638,090,000
Military Expenditures extraordinary	205,000	208,306
Movement of Capital	26,961,025	17,038,947
Special Accounts	178,943,543	152,906,431
	<hr/>	<hr/>
	1,591,128,542	2,183,091,430

(°) The increase in ordinary revenues which amounts to 121 million lire is principally due to increased returns from the sales tax and other direct taxes.

(°°) The state contribution to the annual budget is fixed at one billion lire for a period of six years. In addition an allotment of 500,000,000 lire has been made to provide for the continuance of the public works program.

ITALIAN TRADE WITH THE COLONIES

(thousands of lire)

<u>EXPORTS</u>	<u>North Africa</u>	<u>East Africa</u>	<u>Aegean Islands</u>	<u>Total</u>	<u>Percent of Foreign Trade</u>
Automobiles and spare parts	59,784	127,703	6,154	193,641	51.4%
Flour	44,878	121,465	12,475	178,818	99.4%
Machinery	31,744	133,072	5,071	169,887	50.7%
Textiles - arti- ficial fibers	10,541	141,873	2,677	155,091	47.1%
Cotton textiles	13,857	127,726	2,402	143,985	21.7%
Iron and Steel products	22,560	89,129	4,180	115,869	67.8%
All other products	<u>335,664</u>	<u>1,075,675</u>	<u>50,898</u>	<u>1,462,237</u>	17.8%
	519,028	1,816,643	83,857	2,419,528	23.3

Comparison of Total Exports to Colonies

	(millions of lire)				
	<u>1938</u>	<u>Percent</u>	<u>1937</u>	<u>Percent</u>	<u>Difference</u>
North Africa	519	21.4	396	15.4	123
East Africa	1,817	75.1	2,110	81.8	-293
Aegean Islands	<u>84</u>	<u>3.5</u>	<u>74</u>	<u>2.8</u>	<u>10</u>
	2,420	100.0	2,580	100.0	-160

ITALIAN TRADE WITH THE COLONIES

(thousands of lire)

<u>IMPORTS</u>	<u>North Africa</u>	<u>East Africa</u>	<u>Aegean Islands</u>	<u>Total</u>	<u>Percent of Foreign Trade</u>
Bananas	- -	62,328	- -	62,328	100.0%
Raw Hides	10,871	33,880	904	45,655	24.1%
Cotton	- -	12,181	15	12,196	1.5%
Coffee	2	9,638	- -	9,640	6.5%
Grain	9,238	5	152	9,395	4.2%
Other Products	<u>33,453</u>	<u>17,963</u>	<u>15,069</u>	<u>66,485</u>	<u>.7%</u>
	53,564	135,995	16,140	205,699	1.8%

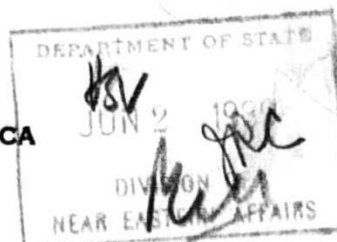
Comparison of Total Imports from the Colonies

(millions of lire)

	<u>1937</u>	<u>Precent</u>	<u>1938</u>	<u>Percent</u>	<u>Difference</u>
North Africa	91	26.1	54	26.2	37
East Africa	245	70.3	136	66.0	109
Aegean Islands	<u>12</u>	<u>3.6</u>	<u>16</u>	<u>7.8</u>	<u>+ 4</u>
	348		206		142



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AMERICAN EMBASSY

DIVISION OF
COMMUNICATIONS
AND RECORDS

No. 1428

ROME, May 16, 1939.

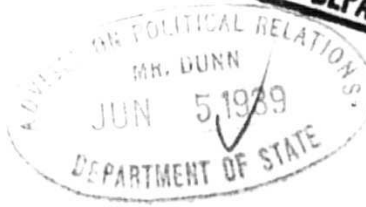
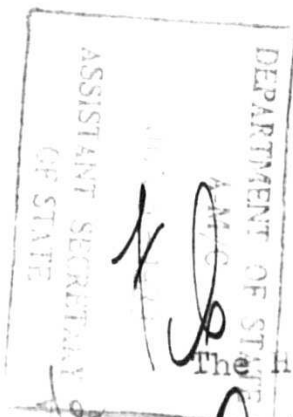
Subject: Estimated Military Expenditures for Libya and
Italian East Africa during fiscal year 1939-40.



CLASSIFICATION: CONFIDENTIAL

TO THE SECRETARY

FROM THE AMERICAN EMBASSY



The Honorable

The Secretary of State,
Washington.

Sir:

Supplementing the Embassy's despatch No. 1421 of May 12, 1939, concerning the budget estimates for Italian Africa for the fiscal year 1939-40, I have the honor to transmit a report prepared by the Military Attaché to the Embassy, dated May 15, 1939, giving details with regard to the estimated military expenditures for Libya and East Africa.

Respectfully yours,

William Phillips.

Enclosure: Report.

SR/mnc

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FILED

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JUL 16 1939

ITALY (COMBAT - ARMY)

Subject : Budget of the Ministry of Italian AfricaEstimated Military Expenditures for Libya
and East Africa, F.Y. 1940.

The following are the official estimated figures on military expenditures for Libya and East Africa as carried on the Ministry of Italian Africa Budget for Fiscal Year 1940.

GENERAL

	<u>Liras</u>
Central depot for colonial troops in Naples	914,500
Operating expenses of the Colonial Police	
Training School.	900,000
Funds for Secret Service (investigations, etc.)....	<u>6,000,000</u>
Total :	<u>7,814,500</u>

LIBYA

Carabinieri	27,775,500
Finance Guards	4,290,000
Police Corps	728,000
Forestry Militia.	2,500,000
Local Guards.	481,400
Colonial Troops and Services.	170,960,100
Contribution paid to the Air Ministry for the operation of aerial units in Libya.	25,000,000
(reported in ITALY No.17,061/8400, May 10/'39)	
Fascist Group of Legions.	5,370,000
High cost of living allowances to Finance Guards and Police Corps.	750,000
Reserve fund for military services.	<u>2,850,000</u>
Total :	<u>240,705,000</u>

ITALIAN EAST AFRICA

General Governorship: (Military Expenditures common to
the whole territory)

Fascist Militia.	5,000,000
Carabinieri.	4,100,000
Colonial Police Corps.	6,400,000
Contribution paid to the Air Ministry for the operation of aerial units in East Africa. (reported in ITALY No. 17,061/8400, May 10/'39)	50,000,000
Contribution to the Ministry of Marine for maintenance of war vessels in the territorial waters of Italian East Africa.	10,000,000
Commissariat Service - clothing and equipment; barracks & quarters; rations for troops; forage...	91,500,000
Artillery Service - Renewal of materiel, repairs, upkeep and maintenance of materiel.	11,850,000
Engineers Service - Renewal, repairs and upkeep of materiel; ordinary repairs and upkeep of military buildings.	13,300,000

Medical Service - (expenditures for drugs, sanitary materiel, and hospital service).....	11,000,000	
Transport Service - Motor vehicles, gasoline and oil, repairs and upkeep of materiel, and miscellaneous expenditures.	96,000,000	
Remount Service and Veterinary service.	5,650,000	
	<u>504,800,000</u>	

General Governorship & Government of the SOIOA

Fascist Militia.	7,270,000	
Carabinieri.	16,000,000	
Finance Guards.	3,050,000	
Colonial Police.	12,450,000	
Forestry Militia.	1,950,000	
Colonial Troops Corps, and various appropriations pertinent to military establishment.	<u>126,624,000</u>	167,344,000

Government of AMARA

Fascist Militia.	3,950,000	
Carabinieri.	8,600,000	
Finance Guards.	2,260,000	
Colonial Police.	6,400,000	
Forestry Militia.	1,580,000	
Colonial Troops Corps, etc.	<u>40,182,000</u>	62,972,000

Government of GALLA & SIDAMA

Fascist Militia.	2,910,000	
Carabinieri.	6,900,000	
Finance Guards.	3,325,000	
Colonial Police.	6,400,000	
Forestry Militia.	2,410,000	
Colonial Troops Corps, and etc.etc.	<u>44,205,000</u>	66,151,000

Government of HARAR

Fascist Militia.	3,500,000	
Carabinieri.	5,320,000	
Finance Guards.	2,800,000	
Colonial Police.	8,000,000	
Forestry Militia.	1,200,000	
Colonial Troops Corps, and etc.etc.	<u>40,262,000</u>	61,062,000

Government of ERITREA

Fascist Militia.	2,000,000	
Carabinieri.	8,120,000	
Finance Guards.	4,000,000	
Colonial Police.	8,400,000	
Forestry Militia.	1,350,000	
Colonial Troops Corps, and etc.etc.	<u>49,855,000</u>	73,725,000

Government of SOMALIA

Fascist Militia.	2,000,000	
Carabinieri.	4,660,000	
Finance Guards.	3,100,000	
Colonial Police.	7,700,000	
Forestry Militia.	1,050,000	
Colonial Troops Corps, and etc.etc.	<u>47,662,000</u>	66,172,000
		<u>802,246,000</u>

R E S U M EL i r a s

General Expenses;	7,614,000
Expenses for LIBYA.	240,705,000
Expenses for EAST AFRICA.	802,246,000 ✓

<u>Total :</u>	<u>1,050,765,000</u> ✓
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G. H. Peine,
Colonel, Field Artillery, USA
Military Attaché.

Central File: Decimal File 865D.51, Internal Affairs Of States, Italian East Africa, Financial Conditions. Budget. Dept. Bond Issues. Loans. Public Securities. Credits., June 10, 1936 - May 16, 1939. June 10, 1936 - May 16, 1939. MS European Colonialism in the Early 20th Century. National Archives (United States). Archives Unbound, link. [gale.com%2Fapps%2Fdoc%2FSC5109727431%2FGDSC%3Fu%3Domni%26sid%3Dbookmark-GDSC](https://www.gale.com%2Fapps%2Fdoc%2FSC5109727431%2FGDSC%3Fu%3Domni%26sid%3Dbookmark-GDSC). Accessed 18 June 2025.